



The State Controller is North Carolina's chief fiscal officer. The Office of the State Controller ensures the financial integrity of the State by providing accounting, disbursing, payroll, internal control and financial reporting systems that serve state agencies, employees and the public and maximizing financial return through its statewide cash management plan. The OSC issues numerous financial reports including: Financial Highlights, General Fund Monthly Financial Report, IT Expenditures Report, Statewide Accounts Receivable Report, the State's Comprehensive Annual Financial Report (CAFR) as well as the short, easy-to-read version of the CAFR known as the "popular" report.



OSCAR

Office of the State Controller Activity Report

David McCoy, State Controller

Winter 2009

OSC Revamps OSCAR Newsletter

Welcome to the new OSCAR (Office of the State Controller Activity Report). The purpose of OSCAR is to keep our key stakeholders informed of this office's activities.

To help us further enhance OSCAR, we are conducting a readership survey. Please take a few

minutes and visit the following link to complete the survey: www.zoomerang.com/Survey/survey-intro.zgi?p=WEB228U9BAYLTT. **Note:** Either click the link directly from the pdf or enter the web address in your browser window exactly as it appears. We value your feedback and want to hear from you.

Controller Forms Leadership Council to Help Integrate Criminal Justice Data

State Controller David McCoy recently announced the formation of an Interagency Leadership Council to help with the successful integration of the State's criminal justice data.

Session Law 2008-107, H.B. 2436 recognized the need for state-of-the-art integrated criminal justice information and directed the Office of the State Controller and the State Chief Information Officer, among others, to develop and implement a statewide criminal justice data integration pilot program for Wake County by May 1.

"Everyone who has agreed to join this council is committed to resolving the complicated issues involved in gathering data from various departments and agencies," said McCoy. "These members also know full well how important it is to come up with solutions that will make sure the state's criminal justice data integration efforts are successful not just for Wake County but for the entire state as well."

Members of the Council include Alvin Keller, Secretary of Correction; Linda Hayes, Secretary of Juvenile Justice and Delinquency Prevention; Reuben Young, Secretary of Crime Control and Public Safety; Judge John W. Smith, Director, Administrative Office of the Courts;

Robin Pendergraft, Director, NC State Bureau of Investigation; Joseph R. John, Sr., Acting Commissioner, Department of Motor Vehicles; John Hodges, President of the North Carolina Chiefs of Police; and Eddie Caldwell, Executive Vice President of the North Carolina Sheriff's Association.

The Wake County Criminal Justice Pilot Program is integrating data found within the state's siloed criminal justice applications and will provide up-to-date criminal information in a centralized location via a secure connection for use by state and local government criminal justice professionals.

Project team members from eight state agencies have been engaged for months in project development activities with SAS Institute, Inc., the vendor selected to design, build and implement the pilot application.

The pilot application has two primary objectives; to provide a comprehensive criminal history for an offender through a single application; and to provide an "offender watch" capability to alert criminal justice professionals when an offender has a change in status within the criminal justice system.

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— State Controller David McCoy

Monthly OSC Report Tracks State's Fiscal Health

State Controller David McCoy said General Fund tax and non-tax revenues fell \$286 million, or 14.3 percent, in January compared to the same period last year. Of this amount, personal income tax collections reflected a decline of \$284 million, or 21.4 percent. This information is contained in the most recent monthly report on General Fund revenues compiled by the Office of State Controller.

"Revenue growth is slowing dramatically," McCoy said. "This decline was expected, and the state's financial plan was adjusted, but we are continuing to feel the strain of budget pressures. The federal economic stimulus package will ease some of our concerns, but North Carolina must work to align spending and revenue. We must work to maintain the structural balance in the state budget for North Carolina to continue its long-term fiscal stability."

Other findings in the January report include:

- Investment earnings impacted by lower cash

availability and a lower rate of return declined by \$16 million, or 88.8 percent for January 2009.

- General Fund appropriation spending is down. General Fund appropriation spending, including transfers, was \$23 million, or 1.7 percent lower than for January 2008. Education and health and human services spending combined was \$59 million, or 5.6 percent higher in January 2009. All other General Fund appropriation spending was down \$82 million, or 26.7 percent.
- Sales and use, beverage, and tobacco taxes combined grew by \$42 million, or 8.5 percent, for the month of January 2009.

The General Fund is the major operating fund of the State and accounts for all receipts that are not required by law to be deposited into another fund. This report can be found at www.osc.nc.gov. Go to "Recent Publications" and click on "General Fund Monthly Financial Report -- January."

OSC Reaches Milestone, Earns Distinction from Software Vendor

Recently, two significant milestones for this office were marked.

First, with the December payroll, OSC has made more than 1 million employee payments out of the new human resources and payroll system. Second, this office received recognition from SAP as a Customer Center of Expertise. This certification identifies OSC

as a partner with SAP, helps ensure we are following ERP (Enterprise Resource Planning) best practices, recognizes the fact that we have very knowledgeable functional and technical support team members and that we have successfully integrated our system with our business processes.



Right – Cynthia Vincent and Jim Dolan cut the cake at the celebration.



Project Identifies Scope of Future Financial Implementation

The BEACON Financials planning project began in May 2008 with the help of Deloitte Consulting. The goal of the project was to provide the BEACON Steering Committee with cost estimates and the resources needed to replace a number of aging legacy financial systems with commercial off-the-shelf software.

The following financial functional areas were evaluated: Accounts Payable, Accounts Receivable, Asset Management, Cash Deposits / Receipts, Financial Reporting (including the Comprehensive Annual Financial Report or CAFR), General Ledger, Grants Management, Inventory Management, Procurement, and Project Accounting. Treasury functions of investment management and banking were not included. This effort included providing an estimate of the high-level implementation scope and business requirements, as well as three options for staffing, timing and costing that would enable the State Controller to present a business case to obtain funding for the implementation from the state legislature.

The project team met with senior leadership from twelve agencies to define the project vision and guiding principles which were used to guide requirements gathering sessions. More than 400 staff from state agencies and universities provided input to these sessions. The resulting requirements and other information were used to design three implementation scenarios and accompanying cost and resource estimates. Deloitte presented their report to the BEACON Steering Committee in October.

The report included a number of assumptions and open issues influencing the scope and cost estimates, some of which were over \$300 million. With the subsequent rapid decline in the economy, the State Controller decided to postpone requesting funding to implement one of the presented options until the 2011 General Assembly session. Over the next biennium, the BEACON Steering Committee will validate the assumptions and work to resolve the open issues in order to refine the cost and resource estimate.

Great Government Through Integrity and Accountability

The North Carolina Office of the State Controller (OSC) provides essential fiscal services to support and assist State agencies in complying with state and federal fiscal laws, rules, regulations, and generally accepted accounting principles.

This Office uses its in-house financial expertise to ensure standardized implementation of statewide processes that foster modern value-added solutions to maximize agency performance and improve results in a measurable, accountable and reliable manner.

The State Controller's Office:

- Manages statewide fiscal controls through the State's Cash Management Plan
- Has exclusive authority over all disbursements of cash
- Is responsible for the Statewide Accounts Receivables Program
- Issues statewide financial reports

including Financial Highlights, General Fund Monthly Highlights, IT Expenditures Report, Statewide Accounts Receivable Report, and the state's Comprehensive Annual Financial Report (CAFR)

- For 14 consecutive years, North Carolina's Comprehensive Annual Financial Report has received the Government Finance Officers Association's Certificate of Achievement for Excellence in financial reporting
- Is responsible for the State's Accounting System and generates on-line management reports through the North Carolina Accounting System (NCAS) Decision Support System
- Manages central payroll and tax accounting for more than 90,000

State employees, the Best Shared Services Call Center and BEACON University

- Manages the State's E-Commerce activities and Payment Card Industry compliance
- Is responsible for the State's internal controls program known as "EAGLE"
- Prepares all Statewide Central Service Indirect Cost Allocation Reports
- Manages the Foreign Nationals Program
- Is responsible for the State's Data Integration Initiative including the Wake County Criminal Justice Pilot Program
- Manages the State's Overpayment and Recovery Audit Program
- Provides consulting and financial training to state agencies
- Promulgates state fiscal rules

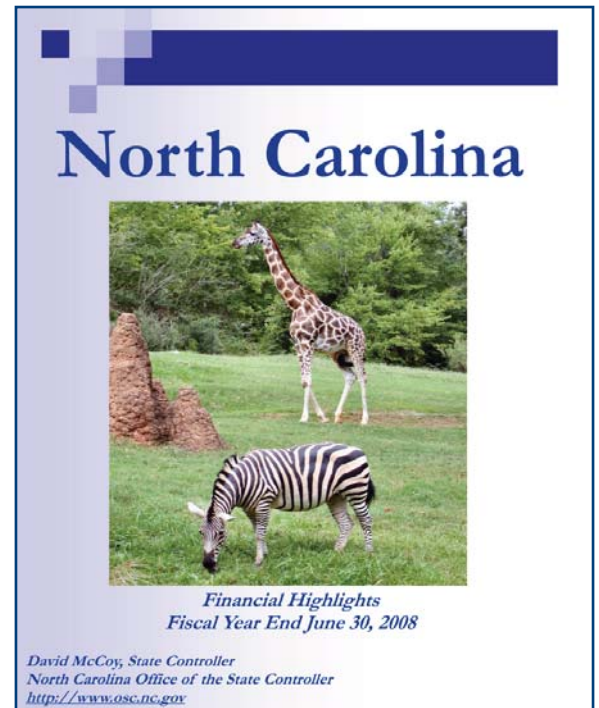
Easy-to-Read 2008 Annual Financial Report Released

Each year, OSC produces an easy-to-read financial statement for the fiscal year. The “popular” report provides state government’s financial highlights -- including information on the sources of state revenues and how those revenues are spent -- in a condensed and simplified format.

The State’s financial reports are excellent tools for citizens who are interested in how our state government spends their tax dollars and how the economy has affected our ability to provide services at the same level as we have in the past. This report offers a simplified view of North Carolina’s revenues and expenses that allows citizens of all ages to understand the State’s finances. This year’s report includes the sources of state government revenues that totaled \$39.7 billion, an increase of 1.34 percent above

fiscal year 2007. The report also breaks out the state’s expenses that totaled \$39.4 billion, a 7.33 percent increase over the prior year. In addition, it contains interesting information about progress being made in various departments, selected performance measures and future challenges.

The 2008 popular report and the CAFR are available on the Controller’s website at www.osc.nc.gov under Recent Publications. The popular report is generated from the comprehensive annual financial report (CAFR), which must be prepared annually in compliance with the 53 governmental accounting standards issued since 1984. The CAFR is audited by the state auditor and has received an unqualified, or clean, audit opinion since 1994.

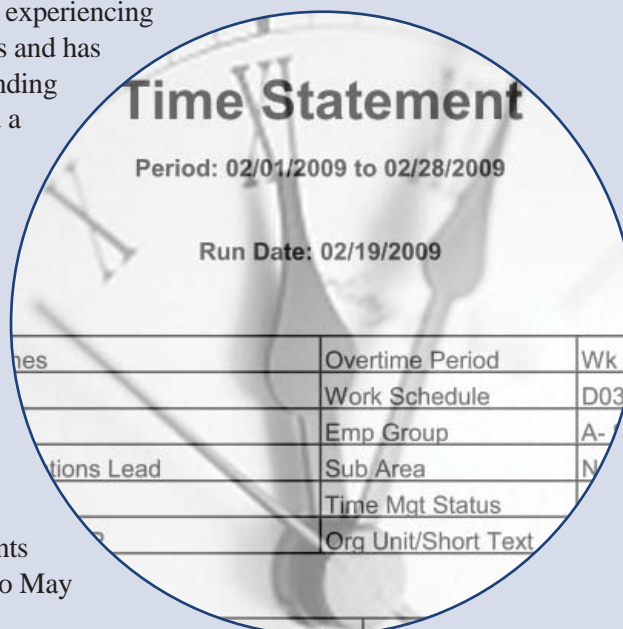


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January Time Recalculation Helps Correct Many Employee Quota Issues

In early January OSC recalculated all employee time back to the BEACON system go-live dates. This activity corrected the issues some employees had been experiencing with their holiday balances and has allowed us to close outstanding tickets more quickly, yield a more accurate employee time statement, solve additional employee quota balance issues, and eliminate many manual work around processes.

Also, on February 2 time statements were made available to employees through Employee Self Service. The time statements are available dating back to May 2008.



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